

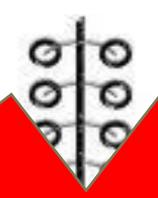
Articles of Association

Most important document in a company.

Called "the constitution of a company".

• Sec 4(1) -

The articles of Association signed by each of the initial shareholders must be submitted together with other documents to register a companies.



THE COMPANIES ACTS 1948 to 1970

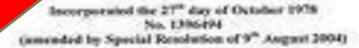
COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL

Memorandum

Articles of Association

Response Community Projects (Earls Court)

Limited



KEITH HALL JUVILER & CO 41 Merces Green Esting London WS 2NX

Contents of Articles

Sec 13 –

The articles of association of a company can provide for any matter <u>not inconsistent</u> with the <u>provisions of this Act</u>, and in particular can provide for-

- a. The objects of the company
- b. The rights and obligations of shareholders of the company
- c. The management and administration of the company.

Application of Model Articles

• Sec 14 -

- The articles of association set out in the *First Schedule* (called as "<u>Model Articles</u>") should apply in respect of any company.
- Other than a company limited by guarantee.
- Except to the extent that the company adopts articles which <u>exclude</u>, <u>modify</u> or are <u>inconsistent</u> with the model articles.

Effect of Articles

• Sec 16 -

The articles of a company <u>should bind</u> the company and its shareholders as if there is a <u>contract</u> between the s/hs and the co.

 Therefore, members can bring action against the co. for breach of contract.

Eg: Hickman v. Kent

Wood v. Odessa Waterworks co.

Contd...

• It is a contract between the co. and s/hs and between the s/hs.

• Therefore, the members can only bring action in the capacity of shareholder.

Eg: Elley v. Positive Government Life Assurance Co.

Effect of Statement of Objects in Articles

• The companies *no longer* has to *state* their objects.

• If the co. wants, it can set out the objectives.

• Sec 17(1) -

If the Articles set out the objectives of the co. it should be deemed to be a <u>restriction</u> in carrying on any <u>business or activity</u> that is not within those objects.

➤ Unless the articles expressly provide otherwise.

However, even if the Articles provide for such restrictions;

- According to Sec 17(2)
 - The capacity and powers of the company should *not be* affected by such restrictions.
 - An act of the company or a contract or other obligation entered into by the company and a transfer of property by or to the company,
 - Should NOT be invalid by reason only of the fact that it was done in contravention of such restriction.

Page for the Position

• To strike a balance between the <u>interests</u> of the co. members and 3rd parties who deal with the co.

• Ensure that the <u>company</u> does not suffer from any limitations upon its legal capacity.

 Recognize that the objects clause is not a suitable vehicle for controlling <u>commercial activities</u>.

Sec 17(3) –

Nothing in subsection (2) should affect –

PLOP, PLOP, FIZZ, OH

PLOP, PLOP, FIZZ, FIZZ, OH

WHAT A RELIEF IT IS!

➤ The ability of a shareholder or director of the company to make an application to court under section 233 to restrain the company from acting in a manner inconsistent with a restriction placed by the articles.

The liability of a director of the company for acting in breach of the provisions of section 188. (Directors to comply with Act and company's articles).